

CITY OF EDMONDS
Snohomish County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Federal Findings

1. City Officials Should Improve Supporting Documentation For Payroll Charges To Federal Programs

Our audit of U.S. Department of Transportation, Highway Planning and Construction Grant Project No. STPUL-0104(019) disclosed city officials did not maintain time records supporting payroll charges to the federal assistance program in accordance with federal requirements.

U.S. Office of Management and Budget Circular A-87, *Cost Principles for State and Local Governments*, Section 11.h. specifies the federal requirements for documents supporting payroll charges to federal assistance programs. It states in part:

Charges to Federal awards for salaries and wages . . . will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit . . . Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation . . . Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.

We tested \$21,623 of \$49,463 in local agency costs claimed during 1995. The local agency costs consist primarily of payroll. The results of our tests disclosed the city does not require employees to sign their timesheets as required by OMB Circular A-87.

The results of our tests also disclosed that \$10,465 of the amount tested was only supported by estimates, memos, and worksheets. The hours were not recorded on

personnel activity reports and the support was not signed by employees and/or their supervisors. As a result, we have included the \$10,465 in our Schedule of Questioned Costs which accompanies this report.

The questioned costs resulted because city officials had not recorded all grant hours on personnel activity reports during the periods worked. Time records were adjusted in September and October 1995 for work performed earlier in the year. Officials were not aware of the specific requirements for supporting documentation.

We recommend city officials improve supporting documentation for payroll charges to federal assistance programs.